

MIDTERM EXAMINATION

Answer any **Four** (take-home option, any **Six**)

General Questions from Text

1. Write a brief essay on the Uruguay Round of GATT. What were the main events leading up to this Round. The agenda? Accomplishments?
2. Briefly describe the theories of absolute and comparative advantage. Which of these provides a better insight to the factors affecting trade between nations? Why?
3. What are the main assumptions underlying the Heckscher-Olin Theory of Trade? Using this theory predict the trade patterns that would take place between two countries such as the Belgium/France class example.
4. What are some of the main issues surrounding trade and the developing countries? What are the developing countries main concerns? Suggestions for reform of the world system?

Trade Theory

5. A number of theories have been proposed as explanations for existing world trade patterns. What are these theories? Their strengths? Limitations?

Protectionism and Other Trade Distortions

6. What are the main arguments for protectionism? Which of these do you feel are valid? Invalid? How do we measure the costs of protectionism?
7. What are the subsidies and the main ways governments provide them? The economic arguments used to justify subsidies? As a practical matter, in what situations would you advocate subsidies? Why?

Arguments for Free Trade

8. Write a brief essay on the advantages of a policy of moving to free trade (Federal Reserve Bank of Dallas paper).

New Arguments for Protectionism

9. What are the main contentions of neo-mercantilism? What points of this approach do you agree with? Disagree? Why?
10. How did Europe's Mercantilist empires operate? (Patrick O'Brien paper) Were they profitable?

11. Following Charles Wolf, what are the main problems associated with strategic trade theory (the New Mercantilism)? Are there any situations you might advocate adoption of this approach?

Current Issues in World Trade

12. Does trade with low-wage countries hurt American workers? What are the main arguments here? The empirical evidence?

13. Economists usually argue that the United States' trade imbalances with Japan are caused by macroeconomic imbalances rather than Japanese protectionism. What are their main arguments? The evidence they cite? What are the implications for public policy?

14. What do you feel were the more interesting aspects covered in the Economist's recent Survey of World Trade? Do you see any implications for United States policy?

GATT/WTO

15. Write a brief essay on the evolution of The GATT into the WTO. The philosophy of these organizations. Their main accomplishments? The biggest challenges facing the WTO?

Trading System

16. Kent Jones makes several points concerning trade and national sovereignty. What are these and do you agree or disagree?

17. What are the major problems threatening the world trading system (Bhagwati article). What do you feel the US position should be in each area? Why?

Globalization

18. Focusing on trade, what are the main characteristics associated with increased globalization (Economist Survey)? What are the main implications for the United States?

19. It is often said that globalization is undermining the nation state. According to Cable, what are the main forces at work here? Do you see merit in these arguments? Why or why not?

20. Why is de-industrialization occurring in the advanced countries? Is this a problem? Why or why not?

21. It is often argued that North American free trade has created a borderless region. What issues are involved here? How does J. Ceglowski examine the situation and what are her main conclusions?

22. Summarize the main points made by Jeffrey Sachs in his "Unlocking the Mysteries of Globalization." Do you feel his arguments are convincing? Why or why not?

23. Has globalization gone to far (Rodrik)? What are the threats? The opportunities?

Technology

24. Briefly summarize the main arguments contained in the Nelson and Wright paper. As you see it, what are the main implications for US policy?

25. Noland indicates that new mechanisms are needed to stem the flow abroad of a new generation of increasingly destructive conventional weapons. What are his suggestions and do you feel they would help strengthen our national security? Do you have any alternatives?

The Arms Trade

26. What are the main arguments advanced by Keller and Noland concerning controls on arms exports? Do you agree? Why or why not?

27. It has been said (The United Nation's Economic and Social Survey for 1997) that increasingly economic motivations are shaping a new regional pattern in the international arms trade. What are these patterns and the forces driving them now that the international political economy has changed following the end of the cold war?

28. What are the major trends in the arms trade noted by Kapstein? What implications does he draw for the United States? Given his article is a bit dated do you find his arguments still convincing? Why or why not?

Trade and Security Issues

29. What are the main issues for US defense industries posed by globalization (Moran)? Can this situation be effectively managed? What are the main policy options?

30. When do security concerns lead states to restrict economic cooperation (Lieberman)? What are the issues here and what does he conclude as to the manner in which countries take these factors into account? Do you agree with his assessment? Why or why not?

31. During the past decade, relative gains - gains made by one state disproportionate to those of another - have become the centerpiece of the debate between realism and liberalism. Following Mathews, what is the nature of this debate and the main arguments on each side? Which line of reasoning do you feel makes the more sense? Why?

32. Copeland asks: Does economic interdependence increase or decrease the probability of war among states? What are the issues here and how does Copeland resolve the debate? Do you find his approach compelling or are there problems with his arguments?

33. Jeff Gerth and a number of other observers are questioning the US policies toward trade in technology with China. What are their main concerns and how do you feel we should approach the problem?

Economic Integration

34. How does NAFTA appear to be working out (Bergsten)? What are the main areas of success? Any areas lagging behind expectations?

35. Briefly outline the main concerns over regional trading blocks (Regional Trading Blocks in the World Trading System). What are the main trends, the types of agreements, and the major trading groups?

36. Following Schott, what is the possible scope and coverage of an FTAA? What are the US interests in an FTAA and the cost of inaction or delay in formalizing an agreement?

37. Fischer notes that both globalization and regionalization have gained momentum in the last two decades. Why? What factors seem to be at work?

38. Based on economic theory and several class handouts what are the main developments that we could expect to unfold over time as a result of NAFTA? In the net, will the United States be strengthened or hurt by the agreement? Why?

39. Arthur MacEwan a US Marxist economist is highly critical of NAFTA. What problems does he foresee from the agreement? Do you agree with his assessment? Why or why not?

Developing Country/Transition Economy Trade Issues

40. Does Krugman find Third World competition threatening living standards in advanced countries? Why or why not? Do you find his arguments convincing? Why or why not?

41. What are the main issues involved in integrating the transition economies into the world economy (Zhen Kun Wang)?

42. What are the main developing country trade patterns that have evolved during the last several decades (WTO)?

43. Following P. Sai-wing Ho outline the Southern perspective on world trade and trade negotiations. What are the main disagreements with the North and how might these be resolved?

44. What main demands been advanced by developing countries with regard to the New International Economic Order? What merit/problems do you see in this agenda?

US Trade Policy

45. The Reagan administration's trade policies usually gets high marks from economists yet Paula Stern is quite critical of the Administration's approach toward trade. What are her main points and do you feel they are convincing?

46. From a European perspective, (Spielmann) what are the main features of US Trade policy over the last 25 years? Do you agree with this assessment? Why or why not?

47. Write a brief essay on the problems associated with "fair trade (CATO Institute). Is this a useful concept? Why or why not?

Foreign Investment

48. Donald Johnson outlines some of the main benefits of trade and investment. What are these and how might one respond to the critics of increased trade and investment?

49. Korbin notes that that the Multilateral Agreement on investment was initially a good idea but that it has encountered increased criticism what are the issues here and to you feel MAI is a desirable policy?.

50. Some developing countries have been fairly successful in attracting foreign direct investment while others have not. What appear to be the main differences between these two groups of countries?

51. Mark Taylor examines Japanese technology and competitiveness then asks: Is Japan Creating a Yen Block in South East Asia? What are the issues here and which appears to be happening?

Commodities

52. Daniel Yergin outlines the main issues involving Asia's energy needs. What are these and what are their policy implications?

53. What appears to be OPEC's formula for survival (Amuzegar)? What problems might lie ahead for the cartel?

Sanctions

54. Richard Haass feels our policy toward economic sanctions needs to be reevaluated? Why? Do you agree with his main arguments? Why or why not?

55. What problems have been associated with the US Sanctions against Burma? Are there better alternatives or options?

56. Do you feel the US should maintain, strengthen or loosen our sanctions on Iran? Why?

United States

57. Many observers (such as Mortimer Zuckerman) feel the US economy has entered a new era of rapid expansion. What is this era and what mechanisms is it based on?

58. Krugman is quite critical of the concept of a "New Economy" What is the New Economy and why does he feel it is a useless notion?

Latin America

59. Agosin and French-Davis note that many Latin American countries have recently embarked on trade liberalization drives. Why? What are some of the radical changes in trade policy that have been enacted and what are some complementary measures that might increase their effectiveness?

60. What is neoliberalism? The problems associated with it? Possible alternatives?

61. What is the natural market fallacy as outlined by Gordon? How might it affect our regional trade arrangements with the Latin American countries.

62. As seen by Edwards, what are the main problems confronting the Latin American economies? What reforms need to be implemented to overcome these difficulties? Do you agree with his assessment? Why or why not?

63. Briefly outline (as summarized by the Economist) the major reforms that have taken place in Latin America. Have they prepared the region for rapid economic growth and expansion? If not, what remains to be done?

64. What is Mercosur and the main controversies surrounding that arrangement?

East Asia

65. Mathews has noted that the traditional Korean model has outlived its usefulness and needs to be replaced. What was this model and why did it cease to be effective? In what ways might it be reformed?

66. What are the main issues involved in assessing the costs and benefits of Korean unification. What are some of the main scenarios that come out of this analysis?

67. Briefly outline the general economic development strategies pursued in Latin America after World War II. What was the rationale for adopting this approach? How did the Latin American approach to development differ from those adopted by the developing countries of East Asia? In retrospect, what would have been a better approach for the Latin American countries to follow?

68. South Korea, Taiwan, Singapore and Hong Kong have been called the East Asia Miracle countries. What factors have led to their success? Why does Krugman feel that this may be a myth?

69. Radlett and Sachs is optimistic with regard to Asia's economic prospects. Why?

70. Briefly outline some of the main current Taiwanese economic issues (Economist Survey).

Middle East

71. Write a brief essay outlining the relationship between Turkey and the EU. What are the main issues here and do you feel Turkey will eventually gain full membership in the EU? Why or why not?

72. Outline the main developments and issues involving Jordan's relationship with the IMF? What have been the main frictions between the two?

73. Briefly outline some of the main Egyptian economic issues (Economist Survey).

74. Briefly outline some of the main Israeli economic issues (Economist Survey).

75. Briefly outline some of the main Turkish economic issues (Economist Survey).

76. Briefly outline the main thrust of the IMF assessment of the Middle East economies. What areas of economic policy-making does the Fund feel need improvement? What are the main challenges facing these countries?

77. E. Kanovsky provides an overview of recent trends in the Middle East economies. What are these and what problems seem to lie ahead for these countries?

78. Following Vahan Zanoian, what appear to be the major problems confronting the Gulf Economies? How would you assess their future for the near term (next couple of years)?

Europe

79. What is the main thrust of Martin Feldstein's assessment of the EURO? Why does he feel the EURO may create problems for the United States?

80. The Business Economics article outlines some of the progress made in integrating the European Economies and the work to be done. What were these accomplishments and challenges for the future?

81. Several uncertainties currently confront the European countries. One involves enlargement and the other the role of England. What are these issues and how do you think they will play out?

82. Briefly summarize the assessments made of Europe 1992 (class handout). What was the background of this initiative and what were its main elements?

Eastern Europe

83. What factors appear to have contributed to the demise of the Soviet economy? Are there any lessons here for other countries?
84. What appear to be the main problems involved in integrating the transition economies into the world economy (IMF)?
85. As seen by the IMF (How Far is Eastern Europe from Brussels) how long and what must be done for the Central European countries to close the income gap with the Western European countries?
86. What are the main findings of the IMF in "Opening Up and Geographic Diversification of Trade in Transition Economies?" What are the policy implications of these findings?
87. What are the main considerations developed in "The Role of Central Europe in Ukrainian Security"? Do you agree with the arguments made here? Why or why not?
88. Briefly outline the factors and considerations affecting the nature of the Socialist Trading System (CEMA) created after World War II.

Africa

89. What is structural reform in the African context and what might be possible alternatives?
90. What caused Sub-Saharan Africa's marginalization in world trade? What policies would you recommend for the region?
91. How can Sub-Saharan African attract more private capital?
92. Why is Ghana looked at by many as a model for economic management in Africa?

Japan

93. What factors does Michael Porter see adversely affecting the Japanese economy. What does he propose to rectify the situation?
94. Briefly summarize Terutomo Ozawa's arguments (new economic Nationalism and the Japanese Disease) What are the main policy implications and do you agree with his assessment?
95. Summarize the IMF assessment of Japan (Japan's Economy Needs structural change). Is the fund's position convincing? What factors might inhibit the changes suggested by the Fund?
96. What appear to be the main lessons from "Revisiting the Revisionists?"

China

97. Briefly outline China's recent growth performance. What factors seem to have contributed to this growth (IMF)?
98. What are some of the current issues surrounding US Trade with China. What do you feel US policy should be toward that country in the future?